

AR10

Romfield annual report



1964

For the year ended
December 31, 1964

Romfield Building
Corporation Limited
formerly
Buffalo Ankerite
Holdings Limited



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**Romfield Building
Corporation Limited**

1964 Annual Report
MAY 25 1965

Officers:

D. Romberg, President
S. Z. Donnenfield, Executive Vice-President
G. Reiner, Vice-President
E. Donnenfield, Vice-President
B. C. Wheeler, Vice-President
C. M. Solomon, Secretary
G. Donnenfield, Treasurer
H. Romberg, Q.C., Asst. Sec.-Treas.

Directors:

D. Romberg, Toronto, Ont.
G. Reiner, New York, N.Y.
E. Donnenfield, Toronto, Ont.
B. C. Wheeler, New York, N.Y.
S. Z. Donnenfield, Toronto, Ont.
C. M. Solomon, Toronto, Ont.
G. Donnenfield, Toronto, Ont.
H. Romberg, Q.C., Toronto, Ont.
H. L. Solomon, Toronto, Ont.
J. H. Gayne, Toronto, Ont.

Head Office:

333 Wilson Ave.
Downsview, Ontario

Montreal Office
615 Dorchester Blvd. W.
Montreal, P.Q.

Auditors:

Wm. Eisenberg & Co.,
Chartered Accountants
Toronto, Ontario

General Counsel:

Solomon & Singer
Toronto, Ontario

Registrar and Transfer Agents:

The Premier Trust Company
Toronto, Ontario

Liberty National Bank & Trust Company
Buffalo, N.Y.

Shares Listed:

Toronto Stock Exchange

Letter from the President

For 1964, our first full year of operation as a highly integrated building corporation, we are justifiably proud of the progress that has been made. This progress is reflected dramatically in our expanded sales and increased profits for 1964, both of which are approximately double those of 1963.

There are four main areas from which our company derives income. It purchases, develops and subdivides land for sale as fully serviced building lots; it builds single and multiple dwelling units, including town houses and high-rise apartments; it builds commercial and industrial buildings; and it receives rental income from multiple dwelling units and commercial buildings which it owns and manages. All divisions have contributed to the 1964 earnings.

Consolidated Earnings

Income from all sources was the highest in the history of the company as a building corporation. In 1964 our total income was \$13,466,499 compared with \$6,421,448 in 1963. Operating net profit for 1964 was \$644,679, or 39¢ per share, compared with \$358,746 or 22¢ per share in 1963. In addition, 1964 net earnings were increased by a profit on sales of investments of \$487,170, against a loss of \$340,365 in 1963. Total net earnings for the year therefore were \$1,131,849 representing 69¢ per share.

During the year some of our rental properties were sold on a leaseback basis, at a satisfactory profit. The terms of the leaseback should provide a continuing annual income to our company from these properties.

Our property management division continues to expand and now manages selected non-owned rental properties in addition to our own, on a management fee basis.

Further operational integration was achieved in 1964 by equity participation in our engineering and concrete forming company, and in due course additional profits should accrue from this source.

The Balance Sheet

Total assets at December 31, 1964 were \$19,635,562 compared with \$16,596,260 at December 31, 1963. Our working capital position improved by \$1,306,706 during the year, as shown in the accompanying statement of source and application of funds. Significant increases in accounts and mortgages receivable and the inventory of multiple dwelling units arose in the ordinary course of business from increased sales of land and houses and increased construction in progress in our three main areas of activity in Toronto, Ottawa and Montreal respectively. For the same reason, current liabilities increased proportionately. In accordance with the policy of your board of directors to sell or amortize

such assets of the company as are not necessary for its construction operations, during the year certain investments were sold for \$863,024 and an amount of \$574,597 was written off the indicated value of other assets. In 1964 our shareholders' equity increased to \$4,047,729 from \$3,498,505.

Outlook

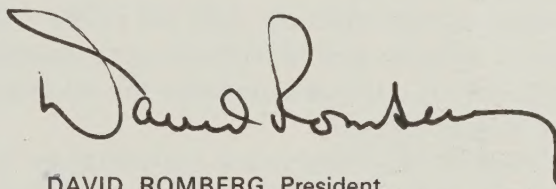
In recent years it has been our goal to eliminate as far as possible the element of speculation which has long been associated with the building industry. Each Romfield development is carefully researched before we build, to ensure that we are planning the right type of unit, on the right location, at the right time. This, together with our technique of building houses which have been pre-sold from models, has reduced the risk element to a minimum.

In the long run, however, the major factor contributing to greater stability is an expanding and

steady demand for housing which in turn stimulates the commercial and industrial market. Based on Government of Canada reports and industry research, it is estimated that new housing requirements in the next five years will be double those of the previous five years, and in 1965 alone the value of new construction will exceed \$9 billion, of which housing will be the largest single component.

I am confident that our management team has the knowledge and ability to take advantage of all opportunities for expansion that present themselves. Indeed, it is our belief that the work in hand for 1965 and 1966 will ensure increased earnings in these years, and that our long range building plans, together with our stated objective of retaining equity ownership in income properties, will provide a sound basis for the continued profitability of our enterprise in the years to come.

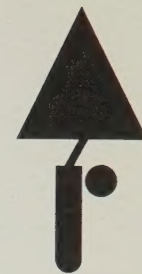
Submitted on behalf of the Board

A handwritten signature in dark ink, appearing to read "David Romberg", with a long, sweeping horizontal line extending to the right.

DAVID ROMBERG, President.

Toronto, Ontario, April 26, 1965

Balance Sheet



ASSETS

	1964	1963
Current		
Cash in bank	\$ 137,870	\$ —
Accounts and mortgages receivable	3,530,669	662,412
Agreements for sale (Note 2)	1,526,500	1,503,200
Inventories (Note 3)		
—land under development and improved lots	2,884,445	4,886,924
—houses under construction and completed	376,020	1,861,316
—multiple dwelling units (Note 4)	8,529,972	4,350,676
Prepaid expenses and sundry assets	192,157	116,321
Total Current Assets	<u>17,177,633</u>	<u>13,380,849</u>
Fixed		
Equipment and leasehold improvements—at cost less accumulated depreciation of \$91,691 (1963—\$37,396) (Note 4)	<u>248,829</u>	<u>87,377</u>
Other		
Excess of cost over book value of shares in the wholly-owned subsidiaries (Note 6)	837,318	998,318
Investments—market value of \$123,155 (1963—\$975,260)	134,767	515,400
Advances to affiliates and subsidiaries not consolidated	86,142	50,050
Participation in oil and gas leaseholds (approximately 20%)— at cost to date (Note 7)	201,570	201,570
Mining Properties and Equipment—as valued by the Board of Directors in 1932 with additions at cost and less amounts written off (Note 8)	749,730	1,163,393
Mining subsidiaries—shares and advances at cost less reserve for unpaid charges (Note 8)	199,573	199,303
	<u>2,209,100</u>	<u>3,128,034</u>
	<u>\$19,635,562</u>	<u>\$16,596,260</u>

Approved on behalf of the Board: D. ROMBERG, Director
S. DONNENFIELD, Director

ROMFIELD BUILDING CORPORATION LIMITED
(INCORPORATED UNDER THE LAWS OF ONTARIO)
AND ITS WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1964

LIABILITIES

	1964	1963
Current		
Bank loans (secured) and overdrafts	\$ 600,000	\$ 1,100,956
Accounts payable	3,665,329	1,582,120
Estimated costs to complete the development and construction projects sold (Note 2)	934,419	1,084,708
6% first floating charge debentures—payable in U.S. funds (Note 5)	—	100,000
Income taxes payable (Note 9)	129,870	—
Mortgages and loans payable (Note 10)		
—due within one year	2,685,219	1,585,625
—due after one year	7,572,996	7,644,346
Total Current Liabilities	<u>15,587,833</u>	<u>13,097,755</u>
SHAREHOLDERS' EQUITY		
Capital Stock (Note 5)		
Authorized—3,000,000 shares without par value		
Issued—1,647,500 shares	2,157,700	2,157,700
Contributed Surplus—		
arising from premiums received, less discount on shares (Note 8)	—	413,597
Retained Earnings—per statement attached	1,890,029	927,208
Total Shareholders' Equity	<u>4,047,729</u>	<u>3,498,505</u>
	<u>\$19,635,562</u>	<u>\$16,596,260</u>

(Contingent Liabilities—Notes 5 & 12)

The accompanying notes form an integral part of the consolidated financial statements.

1. Principles of Consolidation and Change of Name

The attached consolidated financial statements include the accounts of the wholly-owned subsidiaries operating in the construction industry under the name of Romfield Building Corporation.

These have been consolidated with the Company's accounts based on statements prepared by other chartered accountants upon whose statements the Company has relied. All significant intercompany loans and transactions have been eliminated on consolidation.

To reflect more accurately the nature of its business, the Company applied for, and was granted, Supplementary Letters Patent to change its name from "Buffalo Ankerite Holdings Limited" to "Romfield Building Corporation Limited."

The consolidated balance sheet and statements of earnings and retained earnings for the year ended December 31, 1963 are shown for comparative purposes only and should be read in conjunction with the notes to the consolidated financial statements in the annual report for that year.

2. Agreements for Sale

Sales of properties are taken into income at the date of acceptance of offers received. The costs to complete these properties, as estimated by management, are included under current liabilities.

3. Inventories

The company is continuing the policy of allocating, as a cost to each project, a proportion of the general and administrative overhead incurred. Accordingly, these properties are reflected on the balance sheet at cost plus direct carrying charges, such as realty taxes and interest, together with an appropriate proportion of general and administrative overhead.

4. Multiple Dwelling Units

Since the major portion of these buildings were constructed or under construction during the current year, no depreciation has been provided for the current year. For income tax purposes, the Company is deducting the maximum amounts allowable. The values as shown on the consolidated balance sheet are at cost less accumulated depreciation of \$26,595 (1963—\$30,476).

5 Exchange and Investment Bank, Zurich, Switzerland

In 1963, the Company sold all its shares in the Bank at a loss and on the following terms inter alia:—

(a) the purchaser agreed to pay the 6% first floating charge debentures of \$300,000, payable \$100,000 (U.S. funds) annually on the 23rd day of January in each of the years 1965, 1966 and 1967 with interest from January 23, 1964. These debentures remain as a contingent liability of the Company, and a maximum of 60,000 shares without par value are reserved for their conversion on the basis of 20,000 shares for each \$100,000 principal amount of debentures outstanding.

(b) The vendor guaranteed the accounts receivable of the Bank up to \$125,000 until January 23, 1965, but is entitled to an assignment of any debts so paid.

6. Excess of Cost over Book Value of Shares in the Wholly-owned Subsidiaries

The Company has adopted a policy of making an annual charge against retained earnings of part of this excess of cost over book value which arose on the purchase of these shares.

7. Oil and Gas Leaseholds

No provision has been made in these statements for the amortization of the oil and gas leaseholds in Texas and New Mexico. For income tax purposes, the Company will deduct the maximum amounts allowed.

8. Mining Properties and Mining Subsidiaries

The amounts shown for these assets are not intended to reflect present or future values. During 1964, the contributed surplus of \$413,597 which arose from premiums received, less discount on shares while the Company was in the mining business, has been written off against the book value of the mining properties.

The Company's three inactive mining subsidiaries have not been consolidated herein as their assets, consisting almost entirely of mining properties and deferred expenditures, do not reflect present or future values. Of these subsidiaries, one has in prior years accumulated losses of which the Company's proportion is \$74,031 which is not reflected in the Company's accounts.

9. Income Taxes

Taxable income has been reduced by approximately \$75,000 (1963 — \$288,000) because of the availability of losses carried forward from prior years.

Current income taxes of approximately \$61,000 (1963—\$46,000) for the year, and of approximately \$107,000 to date, have been offset by claiming for tax purposes more depreciation than was recorded in the accounts. This amount may be applicable to those future periods in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts.

10. Mortgages and Loans Payable

Repayment dates of mortgages and loans on real estate are as follows:

1965.....	\$ 2,685,219
1966.....	2,060,805
1967.....	355,235
1968.....	1,482,698
1969.....	160,847
1970 and subsequent....	<u>3,513,411</u>
	<u>\$10,258,215</u>

Principal repayments are in accordance with the amortization terms of the mortgages and loans, and do not reflect the prepayment of principal on sale of the respective properties.

11. Long Term Leases

During the year, the Company sold several of its multiple dwelling units on a "lease back" basis for a term of 15 years. The present gross annual rental income of these properties is approximately \$528,000 and the guaranteed annual rent payable by the Company is approximately \$322,000 plus municipal taxes, insurance and maintenance.

The Company has been advised by tax counsel that the gain received on the sales of these rental properties is in their opinion, of a capital nature, and accordingly no provision for income taxes is deemed necessary.

12. Contingent Liabilities

These include the usual liabilities in the construction industry for the completion of contracts and the liabilities incurred in the ordinary course of business in dealing with land purchases.

AUDITORS' REPORT

To the Shareholders of Romfield Building Corporation Limited.

We have examined the consolidated balance sheet of Romfield Building Corporation Limited and its wholly-owned subsidiaries as at December 31, 1964, and the consolidated statements of earnings and retained earnings for the year ended on that date. The financial statement of these subsidiaries, with the report of their auditors as set out in Note 1 has been accepted by us for inclusion in the accompanying consolidated financial statements. With respect to Romfield Building Corporation Limited (formerly Buffalo Ankerite Holdings Limited), our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

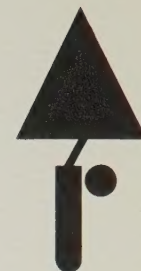
In our opinion the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings present fairly the financial position of the Company and its wholly-owned subsidiaries as at December 31, 1964, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying consolidated statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned consolidated financial statements, presents fairly the sources and applications of funds of the Company for the year ended December 31, 1964.

Toronto, Ontario.
March 26, 1965.

WM. EISENBERG & CO.
Chartered Accountants

Statement



EARNINGS

	1964	1963
Income		
Sales—residential houses and developed land (Note 2)	\$ 9,116,308	\$6,200,310
—multiple dwelling units (Note 11)	3,813,638	—
—oil and gas (net) (Note 7) less outside exploration	4,779	4,777
Rentals	526,296	209,417
Investments	5,428	6,944
	<u>13,466,449</u>	<u>6,421,448</u>
Expenses		
Cost of sales and administration expenses	12,462,407	6,027,202
Directors' fees	300	200
Interest on long term loans	173,698	31,148
Depreciation of fixed assets	54,295	4,152
	<u>12,690,700</u>	<u>6,062,702</u>
Net Profit before Income Taxes	775,749	358,746
Income Taxes (Notes 9 & 11)	131,070	—
Net Profit for the Year	<u>\$ 644,679</u>	<u>\$ 358,746</u>
Profit (Loss) on Sales of Investments		
Alminex Limited	489,658	—
Exchange and Investment Bank (Note 5)	(8,639)	(335,723)
Other	6,151	(4,642)
	<u>487,170</u>	<u>(340,365)</u>
Net Earnings—to Consolidated Statement of Retained Earnings	<u>\$ 1,131,849</u>	<u>\$ 18,381</u>

The accompanying notes form an integral part of the consolidated financial statements.

ROMFIELD BUILDING CORPORATION LIMITED
(INCORPORATED UNDER THE LAWS OF ONTARIO)
AND ITS WHOLLY-OWNED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS AND
SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1964

Funds

RETAINED EARNINGS

	1964	1963
Balance at beginning of year	\$ 927,208	\$ 911,341
Add: Net earnings—from Consolidated Statements of Earnings	1,131,849	18,381
	<u>2,059,057</u>	<u>929,722</u>
Deduct: Write-down of excess of cost over book value of shares in the Wholly-owned subsidiaries (Note 6)	161,000	—
Loss from mine salvage operations for the year	8,028	2,514
	<u>169,028</u>	<u>2,514</u>
Balance at end of year—to Consolidated Balance Sheet	<u>\$ 1,890,029</u>	<u>\$ 927,208</u>

SOURCE AND APPLICATION

Funds were provided from—		
Net profit for the year	\$ 644,679	
Non-cash expenses—depreciation	54,295	
Sale of investments—Alminex Limited	<u>863,024</u>	\$1,561,998
Funds were applied to—		
Additions to equipment and leasehold improvements	\$ 215,747	
Advances to affiliates and subsidiaries	36,362	
Other (net)	<u>3,183</u>	255,292
Increase in Working Capital (see below)		<u>\$1,306,706</u>
Working Capital		
As at December 31, 1964	\$1,589,800	
Less: December 31, 1963	<u>283,094</u>	
Increase in Working Capital (see above)	<u>\$1,306,706</u>	

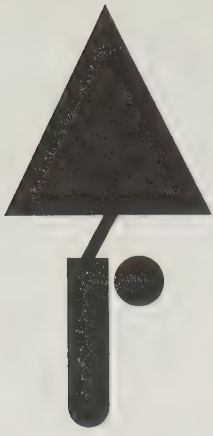
The accompanying notes form an integral part of the consolidated financial statements.

L'Horizon,
Romfield's 187-suite luxury apartment
development in Montreal, scheduled
for completion in Autumn, 1965.



Yorkdale—Spadina Expressway project, Toronto, to include an 11-storey office building, five high-rise apartments, an automobile service centre, and two acres of parkland. Phase I scheduled for 1965.





The ROMFIELD Corporate Symbol

A predominantly visual approach is revealed in the new corporate symbol for Romfield Building Corporation Limited. A bold triangle—a form traditionally associated with construction—forms a mason's trowel, with a stylized lower case "r" forming the handle.

The trowel relates closely to the nature of the Company's business and is therefore easy to connect and to memorize. The specially designed "r" forming the handle differentiates the symbol from any ordinary stylized trowel, establishes the trade mark as Romfield's alone, and also eliminates dependence on company initials, which can be shared by many other organizations.

The entire design is distinctively the symbol of Romfield Building Corporation Limited, and is quickly and easily recognizable as such. Its bold stylization makes it readily applicable for use in all printed material of the Company.

Created by Chris Yaneff Limited, the corporate symbol is not only a mark of distinction but a further indication of the Company's progressive attitude.



ROMFIELD BUILDING CORPORATION LIMITED

AR10

ROMFIELD BUILDING CORPORATION

333 Wilson Avenue, Downsview, Ontario, Telephone 636-5110

September 14th, 1964.

Dear Shareholder:

I am pleased to report a most successful first six months of operations in the company's current year. You can appreciate the excellent progress the company is making by comparing the six months results against the results shown for all of 1963.

CONSOLIDATED STATEMENT OF EARNINGS

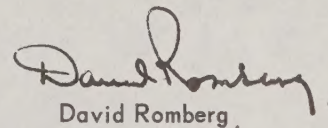
	FOR SIX MONTHS ENDED JUNE 30th, 1964	FOR YEAR ENDED DECEMBER 31 st, 1963
INCOME		
Sales – Residential Houses and Developed Land	\$ 4,515,829	\$ 6,194,436
– Oil and Gas (net withholding tax and operating expenses)	2,351	5,843
– Sundry	2,391	5,874
Rental (net of operating expenses)	99,179	101,436
Investment	3,383	6,944
TOTAL INCOME	\$ 4,623,133	6,314,533
EXPENSES	4,213,518	5,951,635
NET PROFIT BEFORE DEPRECIATION & INCOME TAXES	409,615	362,898
Depreciation	18,787	4,152
NET PROFIT BEFORE INCOME TAXES	390,828	358,746
Income Taxes	135,000	----
NET PROFIT	\$ 255,828	\$ 358,746
EARNINGS PER SHARE	15.5¢	22¢

In six months the company earned before taxes \$409,615, equivalent to 112% of the earnings achieved in the twelve months of 1963. In addition to the profit from operations the company had a profit from the sale of investments of \$495,809 in the current period under review. The most profitable part of the year in the construction industry occurs in the six months from July to December and consequently, I anticipate substantially increased earnings for the next six months over those presently reported.

As you are aware all management's efforts are being devoted to the construction of residential dwelling units. In 1963, the company began to demonstrate some of the potential profit that was available in this industry. The current six months results are gratifying and again demonstrate the magnitude of earnings that can be achieved. However, as I indicated the following six months should produce even greater results and with the projects currently underway, I anticipate a continuance of the company's progress.

On August 11th, 1964, the common shares of the company were called for trading on the Industrial section of The Toronto Stock Exchange under the name of Romfield Building Corporation Limited. It is not necessary for shareholders to exchange their certificates for those indicating the new name of the company.

It is management's intention to keep the shareholders fully informed of corporate developments through regular reports.

A handwritten signature in dark ink, appearing to read "David Romberg", with a stylized flourish at the end.

David Romberg,

President.

do drink

Financial